

Senate File 521 - Introduced

SENATE FILE 521

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO SSB 1204)

A BILL FOR

1 An Act relating to the administration of the property
2 rehabilitation tax credit program by the department of
3 cultural affairs and including retroactive applicability
4 provisions.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 404A.1, Code 2011, is amended to read as
2 follows:

3 **404A.1 Historic preservation and cultural and entertainment**
4 **district tax credit — ~~eligible property~~ definitions.**

5 1. a. A historic preservation and cultural and
6 entertainment district tax credit, subject to the availability
7 of the credit, is granted against the tax imposed under
8 chapter 422, division II, III, or V, or chapter 432, for the
9 substantial rehabilitation of eligible property located in this
10 state as provided in this chapter.

11 b. Tax credits in excess of tax liabilities shall be
12 refunded or credited as provided in section 404A.4, subsection
13 3.

14 2. For purposes of this chapter, unless the context
15 otherwise requires:

16 ~~2. a.~~ Eligible property "Eligible property" means property
17 for which a taxpayer may receive the historic preservation and
18 cultural and entertainment district tax credit computed under
19 this chapter and includes all of the following:

20 ~~a.~~ (1) Property listed on the national register of historic
21 places or eligible for such listing.

22 ~~b.~~ (2) Property designated as of historic significance to a
23 district listed in the national register of historic places or
24 eligible for such designation.

25 ~~c.~~ (3) Property or district designated a local landmark by
26 a city or county ordinance.

27 ~~d.~~ (4) A barn constructed prior to 1937.

28 b. "Placed in service" means the same as used in section 47
29 of the Internal Revenue Code.

30 c. "Qualified rehabilitation costs" means expenditures
31 made for the rehabilitation of eligible property and includes
32 qualified rehabilitation expenditures as defined in section 47
33 of the Internal Revenue Code.

34 (1) Qualified rehabilitation costs include amounts if they
35 are properly includable in computing the basis for tax purposes

1 of the eligible property.

2 (2) Amounts treated as an expense and deducted in the
3 tax year in which they are paid or incurred and amounts that
4 are otherwise not added to the basis for tax purposes of the
5 eligible property are not qualified rehabilitation costs.

6 (3) Amounts incurred for architectural and engineering
7 fees, site survey fees, legal expenses, insurance premiums,
8 development fees, and other construction-related costs are
9 qualified rehabilitation costs to the extent they are added to
10 the basis for tax purposes of the eligible property.

11 (4) Costs of sidewalks, parking lots, and landscaping do not
12 constitute qualified rehabilitation costs.

13 d. "Rehabilitation period" means the period of time during
14 which an eligible property is rehabilitated commencing from
15 the date on which the first qualified rehabilitation cost is
16 incurred and ending with the end of the taxable year in which
17 the property is placed in service. A project's rehabilitation
18 period may include dates that precede approval of a project
19 under section 404A.3, but any costs incurred prior to such
20 approval must be qualified rehabilitation expenditures as
21 defined in section 47(c)(2) of the Internal Revenue Code in
22 order to be qualified rehabilitation costs under this chapter.

23 e. "Substantial rehabilitation" means qualified
24 rehabilitation costs that meet or exceed the following:

25 (1) In the case of commercial property, costs totaling at
26 least fifty percent of the assessed value of the property,
27 excluding the land, prior to the rehabilitation.

28 (2) In the case of residential property or barns, costs
29 totaling at least twenty-five thousand dollars or twenty-five
30 percent of the assessed value, excluding the land, prior to
31 rehabilitation, whichever is less.

32 Sec. 2. Section 404A.2, Code 2011, is amended to read as
33 follows:

34 **404A.2 Amount of credit.**

35 1. The amount of the credit equals twenty-five percent of

1 the qualified rehabilitation costs ~~made to~~ incurred for the
2 substantial rehabilitation of eligible property.

3 ~~a. In the case of commercial property, rehabilitation costs~~
4 ~~must equal at least fifty percent of the assessed value of the~~
5 ~~property, excluding the land, prior to the rehabilitation.~~

6 ~~b. In the case of residential property or barns, the~~
7 ~~rehabilitation costs must equal at least twenty-five thousand~~
8 ~~dollars or twenty-five percent of the assessed value, excluding~~
9 ~~the land, prior to the rehabilitation, whichever is less.~~

10 ~~c. In computing the tax credit for eligible property that~~
11 ~~is classified as residential or as commercial with multifamily~~
12 ~~residential units, the rehabilitation costs used shall not~~
13 ~~exceed one hundred thousand dollars per residential unit.~~

14 ~~d. In computing the tax credit, the only costs which may~~
15 ~~be included are the qualified rehabilitation costs incurred~~
16 ~~between the period ending on the project completion date and~~
17 ~~beginning on the date two years prior to the project completion~~
18 ~~date, provided that any qualified rehabilitation costs incurred~~
19 ~~prior to the date of approval of the project as provided in~~
20 ~~section 404A.3 must be qualified rehabilitation expenditures~~
21 ~~under the federal rehabilitation credit in section 47 of the~~
22 ~~Internal Revenue Code.~~

23 ~~2. For purposes of this chapter, qualified rehabilitation~~
24 ~~costs include amounts if they are properly includable in~~
25 ~~computing the basis for tax purposes of the eligible property.~~

26 ~~a. Amounts treated as an expense and deducted in the tax~~
27 ~~year in which they are paid or incurred and amounts that are~~
28 ~~otherwise not added to the basis for tax purposes of the~~
29 ~~eligible property are not qualified rehabilitation costs.~~

30 ~~b. Amounts incurred for architectural and engineering~~
31 ~~fees, site survey fees, legal expenses, insurance premiums,~~
32 ~~development fees, and other construction-related costs are~~
33 ~~qualified rehabilitation costs to the extent they are added to~~
34 ~~the basis for tax purposes of the eligible property.~~

35 ~~c. Costs of sidewalks, parking lots, and landscaping do not~~

1 ~~constitute qualified rehabilitation costs.~~

2 ~~3.~~ 2. For purposes of individual and corporate income
3 taxes and the franchise tax, the increase in the basis of the
4 rehabilitated property that would otherwise result from the
5 qualified rehabilitation costs shall be reduced by the amount
6 of the credit computed under this chapter.

7 Sec. 3. Section 404A.3, subsection 3, paragraph b, Code
8 2011, is amended to read as follows:

9 *b.* The eligible property shall be placed in service within
10 ~~thirty-six~~ sixty months of the date on which the project
11 application was approved under this section. ~~For purposes of~~
12 ~~this section, "placed in service" has the same meaning as used~~
13 ~~for purposes of section 47 of the Internal Revenue Code. The~~
14 ~~department may provide by rule for the allowance of additional~~
15 ~~time to complete a project.~~

16 Sec. 4. Section 404A.4, subsection 1, Code 2011, is amended
17 to read as follows:

18 1. Upon completion of the rehabilitation project, a
19 certification of completion must be obtained from the state
20 historic preservation office of the department of cultural
21 affairs. A completion certificate shall identify the person
22 claiming the tax credit under this chapter and the qualified
23 rehabilitation costs incurred ~~up to the two years preceding the~~
24 ~~completion date~~ during the rehabilitation period.

25 Sec. 5. Section 404A.4, subsection 2, paragraph d, Code
26 2011, is amended to read as follows:

27 *d.* For the fiscal year beginning July 1, 2012, and for each
28 fiscal year thereafter, the ~~department~~ office shall reserve not
29 more than forty-five million dollars worth of tax credits for
30 any one taxable year.

31 Sec. 6. RETROACTIVE APPLICABILITY. The following provision
32 or provisions of this Act apply retroactively to July 1, 2009,
33 for projects approved and tax credits reserved on or after that
34 date:

35 1. The sections of this Act amending section 404A.1.

1 2. The sections of this Act amending section 404A.2.

2 3. The sections of this Act amending section 404A.3.

3 EXPLANATION

4 This bill relates to the administration of the historic
5 preservation property rehabilitation tax credit program
6 administered by the department of cultural affairs.

7 The bill makes the following changes to the administration
8 of the program:

9 (1) Currently, property classified as residential or as
10 commercial with multifamily residential units may not exceed
11 \$100,000 in rehabilitation costs used per residential unit.
12 The bill eliminates this requirement.

13 (2) Currently, the program uses a 24-month period for
14 purposes of determining the costs that qualify for purposes
15 of computing the amount of the tax credit. The bill provides
16 for a rehabilitation period commencing from the date the first
17 qualified rehabilitation cost is incurred and ending with the
18 end of the taxable year in which the property is placed in
19 service.

20 (3) Currently, all rehabilitation projects must be
21 completed and placed in service within 36 months of approval.
22 The bill allows projects up to 60 months in which to be
23 completed.

24 (4) A reference to the department of cultural affairs is
25 changed to the state historic preservation office.

26 The changes numbered (1), (2), and (3) apply retroactively
27 to July 1, 2009, for projects approved and tax credits reserved
28 on or after that date.